



MILLTEC MACHINERY: THE LONG GRIND TO SUCCESS

A company that manufactures rice mill machines is ready to spread its wings

BY HARICHANDAN ARAKALI



R Ravindranath (left) and J Rajendran

A large Ganesha idol still in its polythene wrap is the lone fixture in an otherwise Spartan boardroom at the Bangalore headquarters of Milltec Machinery. It is an appreciation award from the Rice Millers Association of Tumkur, a neighbouring district of Bangalore. Certificates for quality excellence and achievements occupy most of

the wall behind the idol. Milltec deserves the accolades: For 16 years it has been making rice-milling machines, used by a third of mid-market rice millers across India.

The milling process involves removing husk, polishing and grinding grains. When R Ravindranath and J Rajendran—two of the four original founders—started the company in 1998, they made only rice milling

equipment. Over the years, they broadened the range of machines in the agri-processing industry and now manufacture roller flour and maize mills and plants to process pulses. Today, it dominates a segment that once relied solely on less organised and hyper-local suppliers with no guarantee of after-sales support.

Milltec caught the attention of private equity investor Multiples

Alternate Asset Management only last year when the founders were unable to agree on the company's growth plans. With Multiples investing Rs 180 crore, Ravindranath and Rajendran bought out their partners for Rs 250 crore. (They took a Rs 35 crore loan from L&T Finance.) Multiples—founded by Renuka Ramnath—has a 49 percent holding. The deal left the duo with a 51 percent stake.

THE MEN BEHIND IT

Milltec was born out of water-cooler chats and tea-break conversations between Ravindranath and Rajendran, engineers and colleagues at Bühler Holding AG's India unit in Bangalore. Their conversations became more specific, and the idea of Milltec was born: It would steer clear of large millers that companies like Bühler cater to, and small home-grown millers. Instead, it identified the untapped Rs 600 crore mid-segment market, which it now dominates. Colleagues and industry experts were sceptical, which made the founders all the more determined.

Milltec started at a time when the technology that the founders had seen at Bühler—sheet-metal technology and laser cutting tools—was hard to come by. "It's not like we built a machine and installed it and everything was fine. Things went wrong, we had to tweak the design, even take back the machines sometimes, until we finally got them working," the founders said.

Rajendran, 48, drives operations while his fellow MD, Ravindranath, 51, is responsible for galvanising millers to buy their machinery. "I didn't want to work for other people. I wanted to be my own boss," says Ravindranath, who can look back at the 15 years of toil with justifiable pride. Milltec made revenues of Rs 190 crore in FY2014, and targets Rs 275 crore for FY2015.

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WHY IT IS A GEM

The founders have a quiet faith in their technology and the quality of their machines. "In the mid-market rice miller segment, there is really no other product that is as good as Milltec," says Ramnath. Investment banker Yogesh Bhati, who specialises in industrial and infrastructure deals at O3 Capital (it advised Milltec and helped secure the Multiples deal), gives his approval: "It's global quality at almost domestic prices."

With the backing of Multiples, Milltec wants to consolidate its presence in India, and expand



Rs 190 crore

Revenue for FY14

Key Move

Deepen and consolidate customer base in India; slowly expand to neighbouring countries; add new products and enter new categories

Business Mantra

Capitalise on market leadership to build brand further, use strong services as a differentiator

Stake in the Pie

Multiples Alternate Asset Management owns 49 percent of the company. The rest is held by the two promoters

overseas. It's in the advanced stages of acquiring a European grain-silo maker, and is in initial discussions with a global wheat-processing firm.

Milltec is expanding to other grains and spices, introducing categories such as pre-processing cleaning, packing and silo manufacturing. With these products, the addressable market will jump from Rs 600 crore to Rs 2,250 crore, says Ravindranath. The company also has a services arm, which, apart from adding revenue, is an important differentiator that helps strengthen customer relationships.

WHY IT WAS HIDDEN

Milltec has always maintained a very low profile. That is, until it caught Multiple's attention. According to Ravindranath, there is not much information in the largely unorganised milling market in India and the overall agricultural sector. "We weren't even borrowing money from banks or approaching the market for any fund raising or things like that," he says. This could have also limited information about Milltec from reaching a wider audience.

RISKS AND CHALLENGES

Milltec may manufacture machines, but because it serves the agricultural sector, it has to ultimately bow to the whims of the monsoon. "This year, already it's a concern for us," Ravindranath says. Good rains mean bumper harvests, which are on schedule. And mills will hum with activity, generating demand for equipment and other services.

Then there is the issue of how much money rice millers can spare to buy equipment. Milltec caters to the mid-segment millers who often turn to banks. But most banks are saddled with bad loans, and don't give credit easily, says Ramnath. "We are thinking about ways to make credit available to millers. The economics of these milling machines are very compelling because the returns come in less than two years," she adds.

Ravindranath says changes in government policy on grain procurement for food security, for example, influences millers' decisions to buy machinery.

With plans to deepen its presence in India, Milltec has its work cut out for it. "We are focussed on growing this company. We want to see it expand beyond India, and we have just sown the seeds for that," says Ramnath. **F**